

STATEMENT OF RANKING MEMBER GORDON H. SMITH

Senate Special Committee on Aging Hearing “Advising Seniors About Their Money: Who Is Qualified - and Who Is Not?” September 5, 2007

Good afternoon, and welcome.

My thanks to Senator Kohl for his attention to this important topic. According to the Wall Street Journal, \$12 trillion sits in U.S. investment and insurance accounts earmarked for retirement. And USA Today reports that over the next 40 years, boomers are poised to inherit \$7 trillion from their parents. Clearly, these funds are attractive targets for fraud. And as we will learn from today's witnesses, there apparently is no shortage of smooth talking conmen willing to flash dubious credentials to take this money away from seniors to line their own pockets.

Against this backdrop, states report a marked increase in the number of complaints relating to the use of professional designations that claim to provide expertise in the area of seniors' finances. And many states, including my home state of Oregon, have issued consumer alerts warning investors about financial advisors holding themselves out as senior specialists.

As part of my investigation into the credibility of these designations, I have reviewed the certification requirements relating to several of these specialty designations. And I have charged my staff with sitting for several of the certification exams, including the CSA designation exam offered by the Society of Certified Senior Advisors, which we will be hearing from on today's final panel. With only 1 hour of preparation, my staff was able to sit for the 3 hour exam in 1 ½ hours and obtain a passing score of 82 percent. I will be discussing these results further with today's witnesses, and without commenting further about CSA specifically, I want note my concern regarding the minimal training, certification and continuing education requirements relating to many specialty designations.

Misuse of specialist designations, lack of transparency in investment transactions and the nation's declining savings rate have created a perfect storm for the financial exploitation of America's seniors. Therefore, it's no surprise to hear that complaints are on the rise. I hope that today's witnesses can shed some light on the legitimacy and utility of specialist designations. And ultimately, I hope the message emerges that while we must combat investment scams and other types of financial fraud and abuse, we must ensure that we do not discourage Americans from saving and investing for their future. To the contrary – our country needs to save and invest more.

To do my part as ranking member of this Committee, I will continue my aggressive oversight of all forms of financial fraud and abuse perpetrated against seniors. And I am currently working on legislative proposals to increase Americans' financial literacy so consumers can make more informed and prudent investment decisions. For example, my women and retirement security bill would authorize the Social Security Administration to develop an

easy to understand reference handbook. This pamphlet would include explanations and definitions of basic financial terms and issues facing people in retirement. And it would be distributed to all Americans when they become eligible for Social Security.

In addition, I currently am developing with my Democratic colleagues on the Finance Committee a bill targeted towards improving financial literacy among older Americans. Under this bill, which I plan to introduce later this month, grants will be provided to Area Agencies on Aging to provide financial literacy services to seniors.

I look forward to the witnesses' recommendations regarding what additional assistance Congress can provide to prevent investment fraud and help victims recover their assets. With that, I will now turn back to Senator Kohl. Thank you.